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OFFICE OF
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MEMORANDUM

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Torrijos and US: More Trouble Ahead

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

1 October 1970

MEMORANDUM

SUBJECT: Torrijos and the US: More Trouble Ahead*

This memorandum discusses recent disturbing developments in Panama and their implications for the US. It assesses the prospects for the survival of the Torrijos regime and the effect anti-US feelings exploited by Torrijos could have on his or a successor's relations with the US. As we see it, the outlook for successful negotiations on the Canal Treaties is likely to remain bleak for some time.

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Background

1. As the second anniversary of the National Guard coup of 11 October 1968 in Panama approaches, the erratic anti-US attitude of General Omar Torrijos, Guard Commandant and de facto ruler of Panama, is discouraging those who hope to settle the sticky Canal Treaties issue in a new round of

* This memorandum was prepared by the Office of National Estimates and coordinated with representatives of the Office of Current Intelligence, the Office of Economic Research, and the Directorate of Plans.

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negotiations.* During the first year of Guard rule the US attitude toward the new Provisional Junta Government was "cool and correct." As the second year began and Torrijos consolidated his rule, the US began to adjust to the military regime. But Torrijos has continued to be wary of US intentions. The spate of plots and coup attempts against his rule in recent months by opponents allegedly abetted by the US has undoubtedly strengthened his suspicions.

2. The turning point was probably the unsuccessful coup attempt by National Guard Colonels Sanjur and Silvera last December while Torrijos was off playing the horses in Mexico. Despite US denials, the fact that the colonels had previously been close to US authorities in Panama and claimed their backing convinced Torrijos that we were behind the plot. The conviction was reinforced in February when Hildebrando Nicosia, a lieutenant of former President Arnulfo Arias, arrived in Panama hoping to organize a conspiracy to overthrow

* Panama has been pressing the US to "resume negotiation" on a Canal Treaty. She has denounced the three treaty drafts negotiated in 1965-1967 as inadequate and has asked for a meeting of the two Presidents to agree on the basic political terms of a new treaty. The US has told Panama major new US concessions are not on the horizon but has indicated willingness to start "preliminary talks."

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Torrijos and return Arias to power.* The plot failed and Nicosia fled to the Canal Zone. Nicosia's claims to US support, his possession of a recently issued US re-entry visa, and the US refusal to return him summarily to Panama did nothing to improve Torrijos' disposition. Then in early June Silvera, Sanjur and a third colonel -- all jailed after their unsuccessful coup attempt in December -- made a dramatic escape into the Canal Zone. Though Torrijos may have been relieved to get rid of the colonels, he seized on the US refusal to extradite them as evidence of a systematic US effort to discredit and undermine his government.

3. Recently Torrijos' hostility toward the US has been fanned further by reports that Arias and Sanjur have joined forces in Miami -- aided ostensibly by a "Texas millionaire" behind the scenes. Torrijos has accused the CIA of backing the conspiracy. As if to prove US complicity, Panamanian authorities in late August arrested a Canal Zone policeman, a Panamanian citizen, claiming he was a link between Sanjur in Miami and National Guard officers in Panama. Though the man was promptly fired by authorities in the Canal Zone, his

* Arias was deposed by the Guard coup of October 1968 after only 11 days in office.

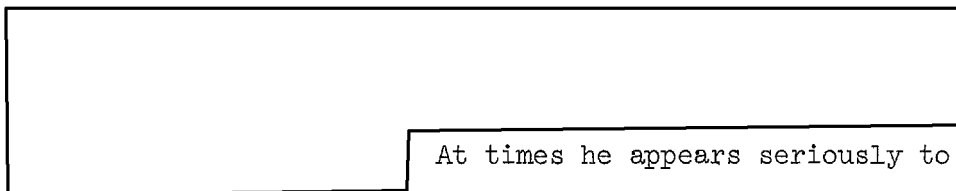
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employment there was probably viewed by Torrijos as further evidence of US involvement in a plot to overthrow him.

Torrijos: David and Quixote

4. Torrijos' suspicions of the US are undoubtedly genuine and by now well fixed. Some of his wilder diatribes against the US might be discounted as egoistic posturing.



At times he appears seriously to overestimate his ability to pressure the US into concessions on the Canal issue. But, though he sometimes seems to be tilting at windmills, Torrijos is no fool. Thus far at least, he has shown an ability to backtrack when things seem to be getting out of hand or the odds appear to be running against him.*

5. Behind the maneuvering and bombast Torrijos seems to be moving to exploit the very real, deep-rooted resentment

* As, for example, when, in the face of a strong advance negative reaction from the US and on the advice of his own appointee, Panamanian President Demetrio Lakas, he abandoned plans to attack the US on the Canal Treaty issue at the current session of the UN General Assembly.

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most Panamanians feel about the entrenched US position in the country -- a resentment nourished in recent years by growing anti-US trends in other Latin American countries. Torrijos' underlying strategy appears to be aimed at capturing this feeling and using it to unite the country behind his policies. He probably feels he has nothing to lose -- and perhaps a great deal to gain -- by posing as the Panamanian David against the US Goliath.

6. The turnover to Panama of Rio Hato, the large US-leased training area along the Pacific coast west of Panama City, is a case in point. In a reversal of a previous informal agreement, Torrijos demanded US concessions in return for renewal of the US lease. When the US declined the deal, the return of the area to Panama in late August was staged by Torrijos with great pomp and ceremony and cited widely in the government-controlled press as evidence of Panama's growing ability to assert its territorial rights.

Torrijos' Internal Problems

7. The realist in Torrijos probably recognizes, however, that whipping up hostility toward the US will not help to solve his domestic political and economic problems. One of his concerns is how to organize a political base to legitimize his

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regime. His earlier tentative efforts to transform the labor movement into a political vehicle have apparently been shelved, at least for now, but he continues to try hard to drum up support for his policies among urban and rural groups. Students and the bulk of the labor movement seem generally in agreement with his declared policies of making the government serve the people and not the oligarchs. But how durable their commitment will be if Torrijos' "revolution" fails to meet their expectations is uncertain. Though he has promised elections by 1972 and has recently begun to experiment with carefully controlled elections at the municipal level, Torrijos probably does not feel ready to stage a national election any time soon.

8. The oligarchy and most businessmen are still opposed to, or at least wary of, Torrijos' "revolutionary" intentions -- e.g., on land reform, tax and investment policy -- and have slowed their investments in the economy. Torrijos' approach to economics is still highly personal and sometimes ill-informed and self-defeating. He has often ignored the fairly competent advisors whom he originally attracted to his government, and several of these have now left him. On his own, Torrijos is prone to snap decisions, usually aimed at breaking an administrative bottleneck or at alleviating an economic hardship that comes to his attention during his constant

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travels around the country. Most of this is done without any reference to more important economic projects, and to some extent it is done by dipping into funds needed to sustain them.

9. It is not surprising then, that despite much energetic pulling and hauling and Torrijos' apparently genuine desire to bring about social and economic change, the economic performance of the government has been something less than "revolutionary." Though the regime has been more active than any of its predecessors in expropriating idle land for distribution to squatters, thoroughgoing land reform has not materialized. Government pump-priming sustained by short-term borrowing abroad at high interest rates has created some new public works and improved public services to some extent, but it has not entirely offset the slowing of private investment. Some government programs are beginning to stimulate long-range economic development but thus far they have done little to alleviate basic economic ills.

10. Panama's credit standing in international money markets has thus far enabled the regime to secure external financing to cover its pump-priming operations. But the recent large drawings on short-term credits are threatening its ability to obtain the additional amounts necessary to continue public investments on their present scale. Torrijos

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has made attempts to stimulate a dialogue with the Panamanian business community to reduce its suspicions of the government's policies. But the results have not been impressive: the rate of private domestic investment has not increased significantly in recent months, and it is doubtful that it will do so in the near future. Unless Torrijos is able to revive private investment economic growth is likely to slow and unemployment to rise.

11. In the midst of this sluggish economic situation, Torrijos has had to deal in recent weeks with a revival of dissension and rivalry within the Guard. Many officers are dissatisfied with the slow rate of promotions, the enlisted men are grumbling over low pay, and some top Guard officers have become unhappy over Torrijos' increasingly authoritarian leadership. A good deal of the infighting is between Deputy Commandant Colonel Rodrigo Garcia and the G-3, Lt. Col. Ruben Paredes, whose influence with Torrijos is strongly resented by many Guard officers. At the same time, Sanjur, Arias and certain leaders of the oligarchy are trying to turn the disaffection of some officers into a Guard plot to overthrow Torrijos.

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12. But Torrijos is aware of the threat and is not likely to be caught napping. None of the top Guard officers appears willing or able to challenge Torrijos directly, and thus far the plotters outside the Guard have failed to enlist any organized support among Guard members. As long as his opponents remain divided and unsure of themselves, Torrijos stands a good chance of outmaneuvering them and maintaining control -- e.g., by removing and exiling key dissidents or by transferring them to more prestigious and remunerative posts.

13. Even if Torrijos is able once again to confound his opponents, however, his regime is likely to remain vulnerable to internal and external political pressures and his economic problems are likely to get worse rather than better. His self-assurance as leader of the New Panama is likely to become subject to new strains and will probably continue to be warped by fears of US efforts to overthrow him. The mix will not make it easy for the US and Panama to find a common ground for reopening negotiations on the Canal Treaties.

Torrijos and the Canal Issue

14. Torrijos is pressing for an early resumption of the treaty talks. He has made clear that he wants a major revision of the 1967 drafts -- e.g., to give Panama greatly

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increased revenues from the Canal, to reduce the US military presence in the area, and to exercise Panamanian sovereignty over Canal Zone installations. He probably realizes that, in the absence of a major shift in US public and Congressional opinion, the US is not likely to succumb to Panamanian demands for a hasty or drastic revision of the 1967 drafts and that for some time Panama's economy is likely to remain heavily dependent on income generated by US operation of the Canal.* He seems to believe, on the other hand, that the US strongly desires to build a sea-level canal and will be willing to make concessions to Panama to do so.

15. Torrijos is thus likely to try to avoid a flat challenge to the US and to retain as much flexibility as possible on tactics and specific demands. At the same time he will probably try to maintain maximum psychological pressure on the US. There are strong indications that he intends to launch new propaganda attacks on the US in the coming months. In this kind of atmosphere the prospects for the quiet talks which the US desires are likely to fade rapidly.

* Panama receives a \$1,930,000 annual annuity from the US under the present Canal Treaty. Panama's gross income generated from wages and services in the Canal Zone totaled approximately \$161 million in 1969, or almost 15 percent of GNP.

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16. If he is faced with an impasse with the US on the basic issues of a new Treaty, Torrijos might be able, as in the past, to shift tactics and adjust Panamanian demands downward. He might even be willing to settle for some sort of short-term interim arrangement, e.g., a substantial increase in Panama's financial take from the Canal and the exercise of Panamanian jurisdiction over some matters now under US control. But his maneuverability is likely to become increasingly limited to the extent he becomes committed to his own anti-US rhetoric. If his supporters begin to see that the slings of David are having no discernible effect on Goliath, he is likely to find it increasingly difficult to keep on top of the rising anti-US mood he has been whipping up.

17. A continuing impasse and growing anti-US pressures would probably lead Torrijos to follow the pattern of 1964 and permit the students and extreme left-wing nationalist elements to mount limited demonstrations against the Canal Zone. But if, as is always possible in the volatile atmosphere of Panama City, the demonstrations begin to get out of hand, Torrijos might well find that he could not order the Guard to take the stern measures necessary to control the situation without seriously jeopardizing his own personal position, both

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among his supporters in the streets and among subordinates in the Guard.

18. An economic crisis brought on by the regime's fiscal difficulties and the mounting political tension would exacerbate popular frustrations and add to Torrijos' troubles. The disenchantment of those who had expected early social and economic improvements would grow along with the hopes of those seeking to undo Torrijos' "revolution." In such a situation Torrijos' options would become severely restricted. In an effort to maintain popular support, he might decide to press forward with a violent confrontation with the US in the hope that the latter would again make political concessions rather than face the storm that would be stirred up by bloody clashes along the Canal Zone border. If he decided to commit himself and the Guard to lead an aroused population on such a course, he would have the capability to cause substantial disruption in the Canal Zone for a considerable period.

After Torrijos - What?

19. As the political turmoil and economic pressures mount, however, so will Torrijos' vulnerability to removal by coup or assassination. If a plot by Arias were successful, the former president would have a strong claim to reinstatement.

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If the coup were engineered by Sanjur and other ex-Guard officers, Arias would hope to rely on them to provide Guard backing for his regime and he could probably count on regaining the support of most of his former followers in Panama. It is possible that Arias' former opponents would be sufficiently fed up with Torrijos' erratic rule to be willing to return to a constitutional order under Arias for the remainder of his elected four-year term (1968-1972). It is equally possible, however, that Arias' domineering political style would again, as in 1968, disillusion his backers in and outside the Guard and lead once more to his overthrow within a short time.

20. If another Guard faction were to replace Torrijos, its pretensions to power would be no more convincing than Torrijos'; it would probably see its role as that of a caretaker pending a return to some sort of civilian rule. If he survived Torrijos' overthrow, President Demetrio Lakas, might be persuaded by the Guard to stay on for a while. The Guard would continue to hold the real power and there would probably continue to be internal struggles for supremacy among its officers. But there is no one Guard officer at the moment who appears to have the stature and ambition to run the government in the wake of Torrijos' failure. Under a regime headed by

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Lakas the Guard thus might be willing to return to its traditional and more comfortable behind-the-scenes role.

21. Though Lakas has no independent following, he has proved to be a competent administrator and could be expected to try to carry on the basic precepts of Torrijos' "revolution." He would probably attempt to establish better relations with the US and to seek a more rational approach to the Canal issue. He would be likely to try to collaborate more closely than Torrijos with the business community, though not to the extent of returning control to the old economic and political interests. Lacking legitimacy and a firm political base, however, a government headed by Lakas would probably have difficulty restoring stable political conditions and maintaining itself in power. If it did not move fairly rapidly toward some form of elections, coup attempts by opponents in and outside the Guard would be likely to revive.

22. If at some point Panama's oligarchic interests, represented by the presently outlawed political parties, were to return to power, they would almost certainly try to turn the clock back -- to repress the "revolutionary" remnants of Torrijos' rule and to restore an economic climate favorable to the traditional elite. Such a course would be strongly

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resisted, however, by those Guard officers, civil servants, and labor and student groups who have come to believe Torrijos' revolutionary goals, even though they may have rejected Torrijos' leadership. A regime dominated by the oligarchy would thus face serious obstacles in trying to return to the old political and economic order. Over time its policies would be likely to generate new public disorders and coup attempts from the left.

23. Thus, it is questionable if any of the likely immediate alternatives to the Torrijos regime would have the stability and popular support necessary to reach a permanent settlement with the US on the Canal. Any likely successor -- Arias, Lakas, or someone from the traditional elite -- would be easier for the US to deal with than Torrijos. He would be likely to postpone any negotiations until he got organized, and would then probably agree to sit down quietly with the US and try to work out a new treaty relationship. But in such negotiations he would soon be faced with the same basic problems of sovereignty and control which have made the Canal such an emotional issue in Panama in recent years. He would probably not be able to -- and indeed might not be inclined to -- dispel the nationalist anti-US feelings stimulated by Torrijos. And he might well be reluctant to risk popular displeasure by demanding less

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than Torrijos in a new round of negotiations with the US, particularly if faced with new elections. In short, with or without Torrijos in the saddle in Panama City, the prospects for a stable negotiating climate are likely to remain bleak for some time.

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